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SUBJECT: BOSPHORUS VOLUNTARY PRINCIPLES AND THRACE BYPASS
DEMARCHES DELIVERED

REF: A. A. STATE 178586

[1](#)B. B. STATE 178695

[1](#)C. C. ANKARA 4623 AND PREVIOUS

SENSITIVE BUT UNCLASSIFIED. Please Protect Accordingly.

[1](#)1. (SBU) SUMMARY: Acting Econ Counselor delivered ref a and b demarches to GOT MFA Energy Deputy Director Hakki Akil. Akil expressed strong disappointment at USG objections to "Voluntary Principles on straits oil tankers and bypass pipelines." He denied press reports that the GOT was supporting the Transneft sponsored trans-Thrace bypass project; rather, he insisted that the five bypass projects were still under analysis in the relevant ministries for environment and route issues. Akil noted that the trans-Thrace routes, including the Thrace Development Company project (with U.S. company involvement), faced growing environmental opposition. The GOT official insisted that the GOT permitting process was transparent and fair. PolCounselor delivered same demarches to Prime Ministry's chief foreign policy advisor Davutoglu. In a separate meeting with Ambassador, ChevronTexaco officials expressed support for multiple Bosphorus bypass pipelines and the concept of "Voluntary Principles", but asserted that there would be no success without involvement of Russian companies and the governments of Black Sea countries. Action request at paragraph 10. End Summary.

Disappointment on Voluntary Principles

[1](#)2. (SBU) Acting EconCounselor and EconOff delivered ref a demarche on the USG position on the Turkish MFA proposed "Voluntary Principles" to GOT MFA Energy Deputy Director Hakki Akil on August 20. While accepting the USG expression of admiration for the concept, Akil was disappointed by the USG objections to the text (recommend delinking the tanker traffic and bypass pipeline issues; oppose quantification of tanker transit costs; support that bypass routes be based on commercial feasibility; Russians and others must be engaged). As author of the concept and noting the dire problem of congestion in the Turkish Straits, Akil expressed frustration at the fundamental USG objections to the text. He noted that he had taken on board all the word suggestions proposed by the USG earlier in the year. Akil described his proposed public-private partnership as a transparent approach to bring all parties together on a voluntary basis to address the environmental, security, safety and cultural risks posed by increasing traffic in the Turkish Straits. He stressed the importance of improving the safety of shipping in the straits before a major accident happens, with unforeseeable consequences. Akil noted that the approach was modeled after the Voluntary Principles for Extractive Industries and Human Rights, championed by U.S. and U.K., and, according to Akil, forced onto the GOT for the Baku-Tbilisi-Ceyhan (BTC) project. Akil claimed that the Voluntary Principles approach could address the inherent first mover- free rider dilemma of getting one company to commit to a bypass project. Finally, he expressed regret that the USG had not participated in the July 23 meeting in Istanbul.

Lots of Bosphorus Bypass projects - still no permits

[1](#)3. (SBU) Emb Officers also delivered ref b demarche on Thrace bypass pipelines. Akil categorically denied press reports that the GOT supported any particular route or project- in particular the Transneft supported route that "copycats" that of Thrace Development Company (with support of American Howard Lowe). He said there were now five applications for conditional permits for routes in Turkey: the two above for trans-Thrace and three for Samsun-Ceyhan (one with involvement by U.S. firm Universal Ensco). Akil noted the negative attention attracted by environmental NGO's, including WWF, on both terminuses of the proposed trans-Thrace route. This route goes through a relatively developed section of Turkey in which a pipeline could be expensive and disruptive, and the harbor on the south end is environmentally sensitive as a prime area for diving and biodiversity, according to Akil. In comparison, the Dep DG described the advantages of the Samsun-Ceyhan routes from

both environmental and use of existing facilities perspectives.

14. (SBU) Akil emphasized that the overriding goal of the GOT was to reduce dangerous shipping in the Turkish Straits. He asserted that choice of potential routes and projects would ultimately be made based on commercial feasibility. According to Akil, the five applications were still under study at the Ministries of Energy, Foreign Affairs, and Environment, as well as the PM Office for the main criterion of environmental acceptability of the route, including terminuses. He said that prior to awarding conditional permits, projects would have to in turn satisfy criteria of health, environment, and safety and through-put commitments. When questioned further on the latter point, Akil cited the Odessa-Brody as the counter-example of the importance of securing a through-put commitment or of obtaining the direct participation of an oil shipper. He concluded that all five applications had not yet satisfied the above criteria.

15. (SBU) In a separate conversation with EconOff on August 19, Ministry of Energy Dep U/S Selahattin Cimen also denied any special approval by the GOT for the Transneft backed trans-Thrace pipeline. He emphasized that the Ministry and GOT's policy was to let the market decide the best route and project, ultimately based on throughput commitments and financing.

16. (SBU) Polcounselor also delivered both demarches to prime ministry chief foreign policy advisor Davutoglu August 25. Regarding bypass routes, Davutoglu acknowledged that the Russians have been pressing hard for Turkish acceptance of the Transneft project. He expects discussions to continue during Putin's Sept. 2-3 state visit, possibly laying the groundwork for a decision in favor of the Russians, he implied. However, he went on to echo Akil's points regarding the environmental sensitivity of the Saros Gulf on Thrace's Aegean coast and the possible negative impact of a trans-Thrace pipeline on the surrounding area. Samsun-Ceyhan might make more sense despite being a longer route, he said, since the Ceyhan-Iskenderun area has already become a major hub for transshipment of crude, with attendant infrastructure. Regarding the voluntary principles, he deferred comment until he had had an opportunity to study our non-paper, but doubted whether a conference involving both companies and littoral states would be the best way to proceed.

17. (SBU) Ambassador has scheduled a meeting August 31 with the Minister of Energy to reinforce demarche messages and related issues.

ChevronTexaco likes bypasses, but Russians must be engaged

18. (SBU) In a separate meeting with Ambassador on Aug 23, ChevronTexaco officials (Eurasia Unit President Guy Hollingsworth and Turkey Country Manager Ismail Kafescioglu) expressed support for 1-2 Bosphorus bypass pipelines to relieve congestion and delays in the Turkish straits. Citing the company's growing investment in the Caspian region, the oil shipper noted that it would eventually seek to participate in bypass projects. When the Ambassador mentioned the ChevronTexaco paper on safety (previously shared with Department), the oil officials expressed deepest concerns about Russian shippers ("rust buckets"). Nevertheless, they insisted that more volume could be safely shipped through the straits and asserted that the GOT was deliberately employing delay tactics to increase pressure on shippers.

19. (SBU) ChevronTexaco stated that the Voluntary Principles had merit, but the GOT had made a significant strategic error in not engaging the Russian companies from the outset. In their view, involvement of Russian companies and Black Sea littoral governments was critical for advancing an informal working group to facilitate bypass development. The oil officials expressed support for diverse pipelines so that the Russians or Turks would not be able to exercise preferential control. They noted that realistically the first project may have to be one of the cross-Turkey bypass pipelines. ChevronTexaco lamented what they called the "done deal" of the reversal of Odessa-Brody, potentially aggravating the pressure on the Bosphorus.

110. (SBU) ChevronTexaco also briefed Ambassador on plans to commence seismic exploration on long-inactive licenses in SE Turkey. They were bullish on potential for oil field development there. They noted that they were inclined to use French oil service companies to avoid American/British visibility given security concerns.

111. (SBU) ACTION REQUEST: Post seeks Department guidance on whether to encourage GOT to build on the "Voluntary Principles, while addressing ref a objections, but to move forward as a truly voluntary and informal working group,

expanded to include Black Sea littoral governments and Russian companies. The group could focus on enhancing safety mechanisms in parallel with governments working to facilitate timely and transparent permitting of bypass pipeline projects. In addition, Post could encourage GOT to consider using the September 2-3 President Putin visit as an opportunity to seek high-level engagement with GOR on Turkish Straits issues and bypasses- not to favor a particular project, but to advocate an informal, nonbinding working group. Getting the diverse parties to work together will not be easy; even western companies hold extremely competitive interests and views. (ChevronTexaco was highly critical of BP and what it termed the British company's vigorous opposition to expanding the CPC pipeline, in favor of filling/expanding BTC at all costs.)

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